

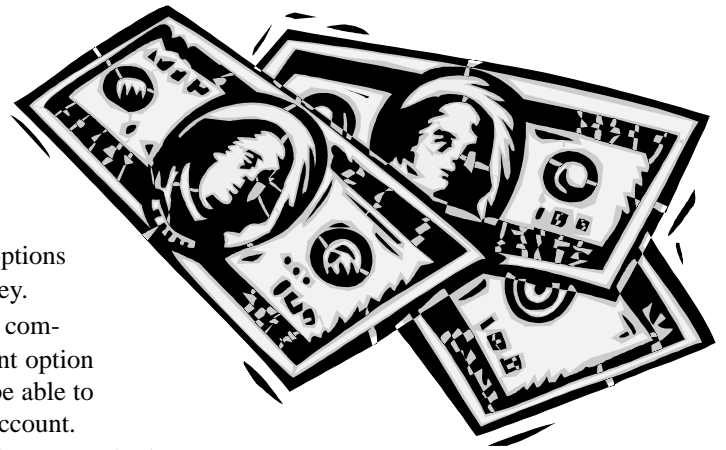
Benefits Bulletin

Human Resource Services

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Save Twice as Much with New TDA Plan



In July, Purdue will introduce a second tax deferred annuity (TDA) plan for your retirement savings. Used in partnership with Purdue's original plan, the new offering will allow you to double your maximum annual TDA contribution. And while you can use both plans, if you choose, you're also able to contribute to just the original plan or to just the new plan. It's up to you.

Both plans allow you to save money for retirement on a tax deferred basis. "Tax deferred" means that both the money you set aside in the account and your earnings on the money are not taxed until you withdraw them from the account.

Purdue's original plan is called a 403(b). The new plan is called a 457(b). Don't let the numbers throw you—they denote the Internal Revenue Service Code that outlines the rules for each plan. If you don't remember the numbers, simply refer to the "original" plan or the "new" plan.

Let's look at what's similar and what's different about the two plans.

What the Plans Have in Common

- You don't pay taxes on the money you set aside or the earnings on that money until you withdraw the funds from your account.
- All University employees are eligible to participate.

- You have a variety of options for investing your money.
- Depending on the TDA company and the investment option you choose, you may be able to take a loan from your account.
- The amount you contribute to each plan is reported in a separate and specific box on your W-2 form.
- When retirement time comes, both plans offer the same options for how you may receive your money.

How the Plans Differ

- Under the original 403(b) plan, you can withdraw money from your TDA without penalty under these conditions:
 - You reach age 59½;
 - You reach age 55 AND terminate employment with Purdue; or
 - You experience certain financial "hardships" as outlined in the IRS Code.

If you do not meet one of the conditions above, but withdraw money from your TDA anyway, the IRS will hit you with an "early withdrawal penalty" equal to 10 percent of the total amount of money you withdraw.

- Under the new 457(b) plan, you can withdraw money ONLY under these conditions:
 - You terminate Purdue employment at ANY age; or

- You experience certain "unforeseeable emergencies" as designated by the IRS.

If you don't meet one of the conditions above, you cannot withdraw your 457(b) money. So, even if you are more than 59½ years old, you cannot withdraw your 457(b) money if you are still employed by the University in a benefits-eligible position. On the other hand, if you leave Purdue employment, you can withdraw your money without penalty at any age. It's based solely on whether you still work for the University.

- Under the original 403(b) plan, you can submit the required paperwork (a salary reduction form) *during* the month you want the TDA contribution to go into effect. With the new 457(b) plan, you must submit your form *before* the month in which you want the contribution to go into effect.

See the related article in this *Benefits Bulletin* to find the maximum amount you may contribute to each plan. For more information about the plans, contact Staff Benefits at 49-41680, 49-42797, or 49-41681.

Two Different TDA Plans

Two Different Limits

Purdue University will introduce a new tax deferred annuity (TDA) plan in July. The new plan, called a 457(b), will be available in addition to the original 403(b) plan the University has offered for many years. The Internal Revenue Service limits the amount you can save under each plan.

Maximum for New 457(b) Plan

The new 457(b) plan will allow employees to contribute the lesser of 100 percent of their Purdue pay or \$12,000 in 2003. In addition, employees age 50 and older can make catch-up contributions. The maximum 457(b) contributions for upcoming years are:

Year	Maximum Contribution	+	Age 50 or More Catch-Up	=	Total
2003	\$12,000	+	\$2,000	=	\$14,000
2004	\$13,000	+	\$3,000	=	\$16,000
2005	\$14,000	+	\$4,000	=	\$18,000
2006	\$15,000	+	\$5,000	=	\$20,000

For 2007 and after, the contribution maximums and catch-up amounts will be indexed to the cost of living. Any annual increases will be in increments of \$500.

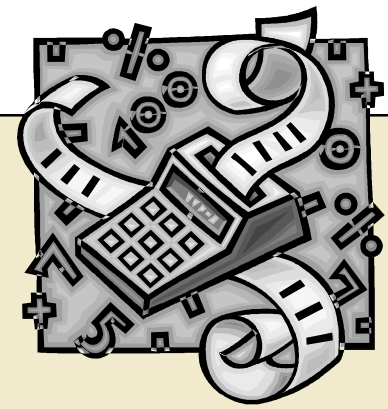
The 457(b) plan also has a unique "special section 457 catch up" provision that employees may use during the three years before reaching "normal retirement age" under the plan. Therefore, between the ages of 62 and 65, employees may contribute the lesser of:

- Two times the normal maximum contribution for the year.
(So, for 2003, an employee could contribute \$12,000 x 2, or \$24,000)
- OR**
- The normal maximum contribution for the year plus unused contributions for prior years. For 2003, that would be \$12,000 plus unused amounts from previous years.

Maximum for Original 403(b) Plan

The maximum contribution limits for the 403(b) plan for the upcoming years are:

Year	Maximum Contribution	+	Age 50 or More Catch-Up	+	15 or More Years of Service	=	Total
2003	\$12,000	+	\$2,000	+	\$3,000	=	\$17,000
2004	\$13,000	+	\$3,000	+	\$3,000	=	\$19,000
2005	\$14,000	+	\$4,000	+	\$3,000	=	\$21,000
2006	\$15,000	+	\$5,000	+	\$3,000	=	\$23,000



Want to Save the Max in Both TDAs? Plan Ahead!

For 2003, Purdue employees will be able to use both the original 403(b) tax deferred annuity and the new 457(b) TDA for a combined maximum contribution between \$24,000 and \$31,000.

Because Purdue's 457(b) plan will not begin until July, employees who want to contribute the maximum possible amount to both plans, should consider having the full annual maximum for their 403(b) taken from their January through June paychecks. Then the July through December paychecks can be used to maximize your contribution under the new 457(b) account.

For assistance, please call a retirement counselor at 49-41680, 49-42797, or 49-41681.

FSA Deadline Coming!

The last day you may turn in claims against your 2002 flexible spending account is April 30.